

REMARKS/ARGUMENTS

The Examiner has required Applicants and BI Performance Services (“BI”), the assignee of this Application, to provide her certain information under 37 C.F.R. § 1.105 that she believes is reasonably necessary to the examination of this Application. More particularly, the Examiner stated:

Because it is difficult to search for methods of providing incentives which create a hierarchy, associate rewards, allow participants to select goals, storing of date, comparing performance to goals, and the granting of rewards of claims 1 of Applicants' response filed May 12, 2006 [sic]. In particular, is the method of providing incentives which create a hierarchy, associated[d] rewards, allow participant to select goals, storing of data, comparing performance to goals, and the granting of rewards known to those of ordinary skill in the art, or was this invented by the Applicants?

In response to this requirement, please provide the title, citation, and copy of each publication that is a source used for the equation [sic]. In response to this requirement, please provide any known document that utilizes this equation [sic] or uses a significant part of the equation [sic].

The invention that is the subject matter of claim 1 is directed to a method used by a program sponsor like a company or employer to provide incentive to a participant like a customer or employee in order to encourage a higher level of performance. As defined by independent claim 1, this method comprises:

- (a) the program sponsor defining a hierarchy of participant performance levels, including a minimum threshold level of performance and at least one successive performance level above the minimum threshold level of performance defining a higher degree of achievement.
- (b) associating at least one reward to the participant with achievement of each specific level of performance with the reward escalating in value for each escalating level of performance.

- (c) requiring the participant to select a specific level of performance to be achieved from that hierarchy of sponsor-defined levels of performance.
- (d) determining actual performance data of the participant.
- (e) comparing the participant's actual performance data against the participant's selected performance level criteria to determine whether the participant achieved that selected performance level; and
- (f) granting to the participant the reward associated with the participant's selected level of performance only if the participant achieved at least the participant-selected performance level.

Applicants have taken the opportunity to submit new dependent claims 41-58 to further define their incentive method invention prior to the Examiner's conduct of the prior search for this Application. These 18 new dependent claims, along with pending dependent claims 6 and 24, all incorporate the limitations set forth in independent claim 1.

Applicants have not conducted a prior art search for this invention and therefore have not previously submitted an Information Disclosure Statement. A series of general literature articles directed to incentive programs were cited, however, on Page 2 of the Application (See Refs. AO through AT on the IDS filed herewith). It is believed that this is the prior art that was known to a predecessor law firm that drafted the Application in 1999. When the Examiner conducts her prior art search, Applicants suggest that leading database providers like InfoTrac, EbscoHost, or Lexis/Nexis be used in conjunction with an advanced search query with the key words "Motivation" and "Program*" to identify articles that are relevant to the claimed invention.

Publications that may be potentially relevant to the field of incentive programs include:

1. *Sales & Marketing Management* (VNU Business Media).
2. *HR Magazine* (Society for Human Resource Management).
3. *Incentive Today* (CPM Information Ltd.).
4. *Incentive* (VNU Business Media).
5. *Employee Benefits* (Centaur Publishing Ltd.).
6. *Impressions* (VNU Business Media).
7. *HR Focus* (Institute of Management & Administration).

8. *IIE Solutions* (Institute of Industrial Engineers, Inc.).

BI is in the business of providing incentive program to program sponsors, and therefore has developed hundreds of different programs over the years that are largely cumulative in their design. Applicants have filed along with this Response an IDS identifying representative examples of different incentive program designs existing prior to the August 18, 1999 filing date of this Application. Copies of those references are attached for the Examiner's review.

Pizza Hut "Star Tracks Rewards & Recognition Program for RGMs and Restaurant Teams" (1998) (Ref. AA), Mitsubishi Motors "In Your Care Working Together to Win" (1996) (Ref. AB), and Acura Precision Team "For Those Who Are Committed to Reaching New Heights (1998) (Ref. AC) all provide examples in which a program sponsor defined a performance goal for a participant like a sales or employee team with a defined reward provided if that performance level was achieved by the team. In the case of the Pizza Hut program, this required performance level was a 3.78 composite score across the specified performance categories. For the Mitsubishi Motors program, a "yes" or "very satisfied" answer was required from customers in response to a series of customer satisfaction questions. For the Acura program, the required performance level was at least a 97.0% composite score across four customer satisfaction categories. However, none of the incentive programs defined by References AA, AB, or AC constituted a hierarchy of sponsor-defined performance levels. Instead, a single performance level was specified. Moreover, in none of these programs was the participant permitted or required to select one particular performance level for requisite achievement. Instead, the sponsor simply defined criteria required for the reward, and the participant could choose whether or not to exert the extra effort necessary to elevate its performance level to meet or exceed this sponsor-established performance level. Furthermore, these programs did not include an "all-or-nothing" feature for the reward payout, because only a single performance level was included. These are traditional types of incentive programs.

The "Frequent Stay Programs" summarized in *Travel Weekly* (1990) (Ref. AK) show customer reward programs offered by a number of different hotels. For example, Hilton Hotel's "HHonors" program provided its customers 10 points for every eligible dollar spent. A 2000-point bonus was awarded at enrollment along with a 20% bonus when the customer also rented a car from National or Thrifty, and a 25% bonus when the customer also flew on American,

United, or US Air. Accumulation within the same year of the following points would provide the customer the following status and extra bonus:

VIP Silver	12,000 pts	15% bonus
Gold VIP	30,000 pts	25% bonus

While Hilton Hotels as the program sponsor provided in this case a hierarchy of performance levels (VIP Silver vs. Gold VIP) with different points requirements and rewards (15% vs. 25% bonus) for each performance level, the customer was not required to pre-select a performance level. Instead, the customer simply earned whatever points that he accumulated within that year, and received the corresponding reward if the points requirements were earned. Moreover, this program did not include an “all-or-nothing” feature as required by Applicants’ claimed invention. If the customer were to set a self-selected goal of Gold VIP status for the year (not required by the Program), but only, in fact, earned 20,000 points, then the customer would have failed to satisfy the required criteria for “Gold” status, but would still be granted “Silver” status since he earned more than 12,000 points. This differs from the incentive program of the present invention where no reward would have been granted to the customer.

Schreiber Food’s “Cheese Wheel of Fortune” Program (1989) (Ref. AD) defined an incentive program for retailers of Schreiber’s cheese products in which the retailer was granted:

<u>Level</u>	<u>Purchase Amount Over Minimum</u>	<u>Award Rate</u>
1	7,500-34,999 lbs	\$10 Certificates per 667 lbs stocked (1.5¢/lb)
2	35,000-79,999 lbs	\$10 Certificate per 500 lbs stocked (2¢/lb)
3	≥ 80,000 lbs	\$10 Certificate per 333 lbs stocked (3¢/lb)

This program presented a hierarchy of sponsor defined performance levels (1, 2, 3) with increasing yields of certificates on a per pound cheese stocking basis. However, once again there was no requirement that the retailer pre-select one of the performance levels, and there was no

“all or nothing” reward. Instead, the retailer received the amount of certificates corresponding to the amount of cheese products that it stocked.

Luzi, Al, “Broker Incentive Recommendations for Sunshine Biscuits, Inc.” (1995) (Ref. AE) defined yet another program in which the participant earned AwardperQs points upon achieving defined objectives each quarter:

100-103% of objectives	2 AwardperQs
≥ 103.1% of objectives	4 AwardperQs

The AwardperQs could be redeemed for merchandise from an awards catalog. However, this represented hierarchy of performance levels without any need by the participant to pre-select one of the performance levels in advance, nor any “all or nothing limitation” on the resulting award.

The Ho Patent discloses a computer-aided education system in which the milestones and associated rewards are pre-selected by the teacher or guardian. The student receives the reward for whatever performance level that he achieves. In this regard, it is similar to a conventional reward system. The student can provide feedback to the teacher or guardian after the fact whether the student found the reward to provide adequate incentive; however, this does not constitute pre-selection by the student of a set of associated performance level and reward, as is required by Applicants’ Claim 1. Moreover, Ho does not teach or disclose an “all-or-nothing” incentive system, as Applicants’ claims require.

Appelbaum (Ref. AN) constitutes an article from the psychology literature discussing the importance of “self-efficacy” in assisting employees to perform at higher levels, and how a skillful manager can manipulate an employee’s self-efficacy level in a positive manner through education, training, and appropriately set performance goals. On page 11 of this reference, a study of unionized government employees was cited by the authors in which the employees were provided a self-management training course for setting attendance goals for showing up to work, and the employees created their own attendance goals and rewards and determined themselves whether their actual performances entitled them to the reward. While Appelbaum claims that this particular program succeeded in reducing employee absenteeism, this program did not constitute a program for providing a hierarchy of tiered performance criteria and associated

rewards defined by a sponsor, as is required by Applicant's Claim 1. Nor did it incorporate an all-or-nothing reward system as Claim 1 requires.

Thus, while individual elements of Applicants' claimed invention may be known in the prior art (e.g., hierarchy of performance levels, increasing reward values associated with the escalating performance level, determining the actual performance level, comparison of actual vs. selected performance level), Applicants are unaware of any prior art reference disclosing an incentive program that required the participant to pre-select a particular performance level from the sponsor-defined hierarchy of performance levels, nor any "all-or-nothing" reward system that placed the risk on the participant of being denied any reward if he failed to achieve at least the pre-selected level of achievement, as required by Applicants' claims. The combination of elements defined in claim 1 was invented by Applicants and is believed to be patentable. Moreover, claim 6 further defines the "all-or-nothing" reward system as denying the participant the higher reward if he pre-selected the lower level of performance, but actually achieved the higher level instead. Applicants are likewise unaware of any prior art reference that discloses this feature of the claimed invention. This all-or-nothing reward system is an important part of the invention that provides the sponsor greater control over the costs of the incentive rewards program.

The Examiner is reminded that BI's innovative incentive program covered by Applicants' invention has achieved very significant commercial success in the marketplace due to the uniqueness of its functionality, as evidenced by the Affidavits filed on February 23, 2005 of John M. Jack, a senior vice president of Schoeneckers in charge of product development, and Richard R. Carreon, a Vice President of Sales of Medtronics, Inc. in charge of Medtronic Gastroenterology & Urology. Medtronic is a Minnesota-based corporate sponsor of many GoalQuest® programs. At that time:

1. BI presently had over 96 clients utilizing the incentive program which is the subject of the Application, marketed under the trademark GoalQuest®. BI operated 172 active GoalQuest® programs. With each client, BI provided one or simultaneously operated numerous GoalQuest® incentive programs on behalf of the client. BI had 31 clients that were or had collectively operated a cumulative total of 118 GoalQuest® programs. The fact that this many clients chose to

simultaneously run two or more GoalQuest® programs was a strong indicator of the commercial success of the GoalQuest® program.

2. There were presently 160,777 participants who were eligible to participate in the GoalQuest® program; of these potential participants, 111,993 participants had selected a goal and had participated in the GoalQuest® program.
3. The GoalQuest® program has been a great success for BI. The corporate sponsors of the GoalQuest® programs pay BI a fee. In late 1999, the first GoalQuest® program was introduced into the marketplace. In Fiscal Year 2001-2002, BI generated \$441,207 in revenues from the GoalQuest® programs. In Fiscal Year 2002-2003, revenues from the GoalQuest® program were \$2,575,584. In Fiscal Year 2003-2004, revenues from the GoalQuest® program were \$4,803,125. Revenues from the GoalQuest® program for Fiscal Year 2004-2005 YTD are \$4,792,983, with 5 months left in the 2004-2005 Fiscal Year.
4. When the GoalQuest® program was first conceived, BI anticipated that the GoalQuest® program could bring about a large increase in sales of BI's incentive programs, because no one in the incentive field was known to have combined a menu of sponsor defined goals, participant selection of one of the goals from a menu of sponsor defined goals, coupled with a risk - reward system that encourages the participant to strive for higher performance levels to achieve greater rewards. Because BI tracks its program performance and business relationships, it was known that the GoalQuest® program expanded BI's client base as well as the volume of business that BI had with its current customers.
5. Because of BI's confidence in the success of its GoalQuest® program, a patent application for patent protection was also filed in Europe and is still pending.
6. BI believes that it was the first provider of incentive programs to conceive of this program and that BI remains the only incentive program provider offering this functionality.
7. The GoalQuest® system as described in the claims pending in the BI Application was also being marketed in Europe, the Middle East, Asia Pacific Rim, and Mexico.

8. The success of any incentive program is subject to environmental factors. The market for these types of programs is dynamic, not static. BI believes that the predominant factor involved in the success of the GoalQuest® program is the unique combination of features of the program. The marketing efforts by BI for the GoalQuest® program as described in the pending patent claims were initially limited in that BI desired to make a limited allocation of its personnel to the project until market reaction justified expanding the marketing effort. The resources allocated to marketing the GoalQuest® program today are roughly the same as any other incentive program offered by BI. No special price concessions or other enticements have been offered to artificially create a market for the GoalQuest® program; in fact, BI charged a premium for purchase of the GoalQuest® program due to its popularity. Sponsors are attracted by the personal commitment or “buy in” they obtain from participants who are encouraged to achieve higher levels of goals (because of the higher level of reward associated with the higher risk of failure), and the payout for the sponsor is usually less than for many other competing programs and performance by the participants is enhanced. Performance tracking for the GoalQuest® program had indicated that 54% of the participants in the GoalQuest® program achieved above the base line level (the level that they would achieve in the absence of an inducement). This value corresponded to 23% in other Applicant incentive programs.
9. BI offers a great variety of incentive programs to its clients. Competitors of BI also offer a variety of incentive programs to BI's clients. The GoalQuest® program has successfully competed against all of these programs to the point that BI's customers that have used the GoalQuest® program have frequently chosen to run multiple versions of the GoalQuest® program simultaneously. The commercial success of the GoalQuest® program has separated BI from its competitors and has given BI a competitive advantage in the marketplace, both in the United States and outside the United States.
10. The incentive award business has for many years needed a system and method that offers the advantages of the claimed invention. The GoalQuest® program

has filled a demand that has existed in the incentive award field for a more effective motivator of participant performance.

The information recited in these February 2005 affidavits is still valid, and the numerical data continues to support the commercial success of BI's GoalQuest programs. Applicants believe that the GoalQuest® incentive award system and the method covered by the pending claims will continue to be successful. So does at least one of its IP-sophisticated clients (sponsors) Medtronic, Inc. Applicants expect sales, as well as the amounts deposited in participants reward accounts under the GoalQuest® system, will continue to grow. If the Examiner would like, Applicants can submit an updated affidavit to this effect.

In view of the above remarks and submitted prior art references, Applicants respectfully submit that the Application as amended is in proper form for examination. Applicants therefore, respectfully request that a timely Notice of Allowance be issued in this case. If the Examiner believes that a telephone conference would advance the prosecution of this application, the Examiner is invited to telephone the undersigned at the below-listed telephone number.

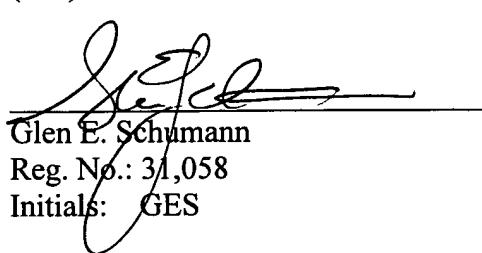
Respectfully submitted,

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